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STATE OF CALIFORNIA

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CalPERS Adopts Westly Executive Pay Proposals

SACRAMENTO – CalPERS today adopted Controller Steve Westly's proposal to amend its Strategic Plan and proxy voting guidelines to push for executive compensation "clawbacks." The board also passed Westly's motion to urge the federal Securities and Exchange Commission to develop rules to increase the use of clawbacks in executive contracts. Clawback provisions allow shareholders to take back merit-based compensation when a company fraudulently or otherwise misrepresents its performance.

"I want executives to be paid according to actual performance, not cooked books," Controller Westly said. "Our retirees pay the price when companies misrepresent their performance. Clawbacks make executives accountable, leading to more transparency and honesty in financial reporting. This is a good first step, but I want to use my voice as Chief Financial Officer of the world's sixth-largest economy and a trustee of the nation's largest public pension fund to make clawbacks a standard practice."

Westly is working with CalPERS to determine how the fund can best increase the use of clawbacks.

Westly also asked CalPERS to explore:

- Initiating and supporting shareholder resolutions requiring "clawback" policies in executive contracts;
- Supporting Rep. Barney Frank's "Protection Against Executive Compensation Abuse Act," which increases transparency in executive compensation and increases the use of clawbacks.

"Financial transparency and accountability are critical in helping us determine whether our investments are sound," Westly said. "We owe it to the 1.4 million Californians who depend on us to take action."

CalPERS provides retirement and health benefits to more than 1.4 million public employees, retirees and is the nation's largest public pension fund with almost $200 billion in assets.

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